

BEFORE THE WASHINGTON STATE
OFFICE OF ADMINISTRATIVE HEARINGS
OLYMPIA OFFICE

FILED

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In Re:

UNIFIED LIFE INSURANCE
COMPANY,

An Authorized Insurer.

Proposed Consent Order 09-0138

Patricia D. Petersen
Chief Hearing Officer

OIC HEARING MEMORANDUM

I. FACTS

1. Unified Life Insurance Company ("Unified Life" or "the Company") is authorized to sell life and disability insurance in Washington.
2. Unified Life filed its calendar year 2007 loss ratio report on June 19, 2009, over a year late (Exhibit 1).
3. Unified Life filed its calendar year 2008 loss ratio report on Wednesday, June 3, 2009, three days late (Exhibit 2).
4. On November 16, 2009, the OIC sent the Company a Proposed Consent Order imposing a fine of \$2750 (Exhibit 3).
5. Unified Life declined to enter into the Consent Order and on or about January 4, 2010, requested an administrative hearing.

II. LEGAL AUTHORITY

1. RCW 48.20.025(5) requires disability carriers to file an individual health plan annual loss ratio with the OIC for each calendar year by May 31 of the following year.
2. RCW 34.05.010(6) defines "filing" of a document that is required to be filed with an agency as the delivery of the document to a place designated by the agency by rule for receipt of official documents, or in the absence of such designation, at the office of the agency head.
3. RCW 1.12.040, Computation of Time, states that the time within which an act is to be done shall be computed by excluding the first day, and including the last, unless the last day is a holiday, Saturday, or Sunday, and then it is also excluded.
4. RCW 48.05.185 states that after a hearing, or with the consent of the insurer, and in addition to or in lieu of suspension, revocation or refusal to renew any certificate of authority, the commissioner may levy a fine upon the insurer in an amount not less than \$250 and not more than \$10,000 for failure to comply with any provision of the Insurance Code (See RCW 48.05.140(1)).

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III. ARGUMENT

The Commissioner has the authority to impose a fine, after hearing or with the consent of the insurer, and/or to revoke or suspend a company's certificate of authority, for violation of the Insurance Code. His range of fine options is between \$250 and \$10,000.

Since the range of possible fines is so broad, the Commissioner uses a formula to calculate a fine for all late loss ratio reports to ensure consistent, fair application to all carriers (Exhibit 4). Each point accrued equals a \$250 fine. The formula begins with a base fine of three points, \$750, and adds further points depending on the length of time the report remained unfiled, whether a WSHIP remittance was due, whether the insurer was a repeat late filer within two years, whether the insurer made good faith efforts to follow OIC guidance, and whether revocation or suspension, or the threat of such action, was needed to prompt a remedial filing.

Because Unified Life's 2007 loss ratio report was over a year late (3 + 2 = 5 points) and a remittance was owed to WSHIP (+ 2 points), the fine for the calendar year 2007 loss ratio report is \$1,750. And because Unified Life's 2008 loss ratio report was three days late (3 points), it filed late the previous year (+ 1 point), and a remittance was owed to WSHIP (+ 2 points), the fine for the calendar year 2008 loss ratio report is \$1,500. Therefore, according to the OIC formula, the total fine for both violations should be \$3,250. Due to a math error on OIC's part, however, the proposed fine in the Consent Order offered to Unified Life was two points fewer, \$500 less, at \$2750. No further reduction of the fine amount is warranted. To do so would deviate more than reasonably from the formula that has already been inadvertently modified here. The whole point of using a point system to calculate consistent fines for late loss ratio reports would be defeated if we resort to looking at the volume of business in Washington to make such a determination. Such discrimination would unfairly penalize other carriers that file late loss ratio reports simply because they have a larger book of business.

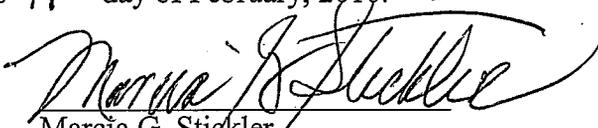
IV. CONCLUSION

Therefore, based on the arguments stated herein, the Commissioner's determination of a fine in the amount of \$2,750 for Unified Life's failure to timely file two consecutive years' loss ratio reports should be upheld.

V. EXHIBITS TO BE PRESENTED

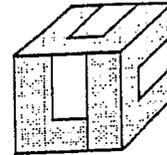
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|-----------|---|
| Exhibit 1 | Unified Life's loss ratio report for calendar year 2007 |
| Exhibit 2 | Unified Life's loss ratio report for calendar year 2008 |
| Exhibit 3 | OIC Proposed Consent Order 09-0138 and cover letter |
| Exhibit 4 | OIC formula for calculating fines for late loss ratio reports |

Respectfully submitted this 11th day of February, 2010.



Marcia G. Stieckler
Staff Attorney
Legal Affairs Division

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UNIFIED LIFE INSURANCE COMPANY
P.O. Box 25326
Overland Park, KS 66225-5326
1-800-237-4463

June 9, 2009

Ms. Lichiou Lee, ASA, MAAA
Health Actuary
Washington State Insurance Commissioner's Office
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Your June 3, 2009 Email to Unified Life Insurance Company (NAIC #11121)
Individual Annual Loss Ratio Filing for Calendar Years 2006 and 2007

Dear Ms. Lee:

This is in response to your email in which you indicated that Unified Life did not submit the Individual Annual Loss Ratio Filing for Calendar Years 2006 and 2007. We did not acquire individual health business on a direct basis until October 1, 2007. Therefore, we only have 4th quarter 2007 data to report as follows:

<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
\$220	\$0	0%

Unified Life's Actual Declination Rate = 0

Percentage set by Washington:	.74
Less actual loss ratio:	- .00
	.74

We apologize for inadvertently failing to file the 2007 report.

Actuarial Certification

As a member of the American Academy of Actuaries, I certify, to the best of my knowledge and belief, that the above loss ratio was calculated in accordance with the current standards of practice as promulgated by the Actuarial Standards Board.

Sincerely,

Kevin A. Dill, A.S.A., M.A.A.A.
Assistant Vice President and Associate Actuary

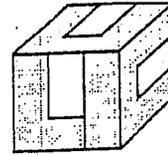
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JUN 19 2009

INSURANCE COMMISSIONER
RATES & FORMS

EXHIBIT 1

PAGE



UNIFIED LIFE INSURANCE COMPANY

P.O. Box 25326
Overland Park, KS 66225-5326
1-800-237-4463

May 28, 2009

Ms. Lichiou Lee, ASA, MAAA
Health Actuary
Washington State Insurance Commissioner's Office
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Unified Life Insurance Company; NAIC #11121
Annual Loss Ratio Filing for Calendar Year 2008

Dear Ms. Lee:

Attached please find a transmittal form for Unified Life Insurance Company's Individual Health Plans Annual Loss Ratio Report for 2008.

Washington experience for individual health plans for 2008 is as follows:

<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
\$1,161	\$88	7.6%

Unified's Actual Declination Rate = 0

Percentage set by Washington: .74
Less actual loss ratio: -.08
.66

Actuarial Certification

As a member of the American Academy of Actuaries, I certify, to the best of my knowledge and belief, that the above loss ratio was calculated in accordance with the current standards of practice as promulgated by the Actuarial Standards Board.

Sincerely,

Kevin A. Dill, A.S.A., M.A.A.A.
Assistant Vice President and Associate Actuary

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JUN 03 2009

INSURANCE COMMISSIONER
RATES & FORMS

EXHIBIT 2 PAGE

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000
www.insurance.wa.gov



OFFICE OF
INSURANCE COMMISSIONER

November 16, 2009

John E. Tiller, President
Unified Life Insurance Company
PO Box 25326
Overland Park, KS 66225-5326

RE: Unified Life Insurance Company
Proposed Consent Order No. 09-0138

Dear Mr. Tiller:

Enclosed are two originals of Washington State Office of Insurance Commissioner's Consent Order Levying a Fine. This Order will result in your Company being required to pay a fine in lieu of other action relative to its Certificates of Authority.

Please sign and return both of the original Orders by December 14, 2009. Upon receipt, the Orders will be signed by me, entered with our office, and one of the executed originals will be returned to you for your records. You will then have 30 days in which to pay the fine. If you wish to include payment with the Orders, please make your check payable to the Office of the Insurance Commissioner and send to Delia Zebroski, Fiscal Analyst, Operations Division, PO Box 40255, Olympia, Washington 98504-0255.

Should you have any questions regarding this matter, please feel free to contact me at (360) 725-7048.

Sincerely,

A handwritten signature in cursive script that reads "Marcia G. Stickler".

Marcia G. Stickler, Staff Attorney
Legal Affairs Division

Enclosures

EXHIBIT 3 PAGE 1



OFFICE OF
INSURANCE COMMISSIONER

IN THE MATTER OF
UNIFIED LIFE INSURANCE COMPANY,

An Authorized Insurer.

ORDER NO. 09-0138
CONSENT ORDER LEVYING A FINE

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.02.185, and having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

FINDINGS OF FACT:

1. Unified Life Insurance Company ("Unified Life" or "the Company") is authorized to sell life and disability insurance in Washington.
2. As an authorized disability carrier, Unified Life is required under RCW 48.20.025 to file an individual health plan annual loss ratio for each calendar year by May 31 of the following year.
3. Unified Life filed its calendar year 2007 loss ratio report on June 19, 2009, over a year late.
4. Unified Life filed its calendar year 2008 loss ratio report on June 3, 2009, two days late.

CONCLUSIONS OF LAW:

1. By failing to timely file its annual loss ratio filing for individual health plans for calendar years 2007 and 2008, Unified Life committed two violations of RCW 48.20.025(3).

EXHIBIT 3 PAGE 2

2. A fine for these violations is authorized under RCW 48.05.185 in an amount not less than two hundred fifty dollars or more than ten thousand dollars.

CONSENT TO ORDER:

Unified Life, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine and such terms and conditions as are set forth below.

1. Unified Life consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$2,750.00 (Two Thousand Seven Hundred Fifty Dollars), payable within thirty (30) days of the entry of this Order.

3. Unified Life's failure to timely pay this fine and to adhere to the conditions shall constitute grounds for revocation of the Company's Certificate of Authority, and shall result in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this _____ day of _____, 2009.

UNIFIED LIFE INSURANCE COMPANY

By: _____

Printed Name: _____

Typed Corporate Title: _____

EXHIBIT 3 PAGE 3

ORDER

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby Orders as follows:

1. Unified Life Insurance Company shall pay a fine in the amount of \$2,750.00 (Two Thousand Seven Hundred Fifty Dollars).

2. The Company's failure to pay the fine within the time limit set forth above shall result in the revocation of the Company's Certificate of Authority and in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this ____ day of _____, 2009.

MIKE KREIDLER
Insurance Commissioner

By _____

Marcia G. Stickler
OIC Staff Attorney
Legal Affairs Division

EXHIBIT 3 **PAGE** 4

Loss Ratio Filings
Late Filing Penalties
1 point = \$250

Filing 1-30 days Late:	3 points
Filing Over 30 days Late:	+ 1 point
Filing Missing or Over 60 Days Late:	+ 2 points
If they owe a remittance:	+ 2 points
Repeat Late Filer w/in 2 years:	+ 1 point
Late Filing Clearly Evidenced Lack of Trained Staff Or Any Serious Attempt to Follow OIC Instructions:	+ 1 point
Threat of Suspension Needed:	+ 1 point
Suspended or Revoked:	+ 2 points